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Message

From: Neal Mohan [nmohan@google.com]
Sent: 5/24/2013 8:29:34 PM
To: Susan Wojcicki [susan@google.com]
Subject: Fwd: Press Reports: FTC Investigation & Google Display

----- Forwarded message -----

From: [REDACTED]
Date: Fri, May 24, 2013 at 1:16 PM
Subject: Re: Press Reports: FTC Investigation & Google Display
To: [REDACTED], Jonathan Bellack <jbellack@google.com>, [REDACTED]
Cc: Neal Mohan <nmohan@google.com>, [REDACTED]

One more -- this is an interesting read on this from Rob Hof @ Forbes, who of course knows our platforms story very, very well (and calls out Think DoubleClick). Also interesting to see Mediaocean speaking up on our behalf.

Why Google's Display Ad Business Drew An FTC Antitrust Probe

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Just a few months after escaping an antitrust case on its search ads, Google GOOG -1.29% is now the subject of a Federal Trade Commission probe of its display-ad business.

This comes as little surprise to anyone who has been watching the search advertising giant's quiet but steady rise in the past few years in the business of placing banner and video ads on websites. But it's also no sure thing that this probe will go any further than the last one.

According to multiple reports starting with Bloomberg's last night, the FTC is looking at whether Google is using the dominance of its DoubleClick service that helps advertisers and publishers run display ads to force them to use its other display-ad services, such as its advertising exchange.

 **Google Makes Renewed Grab for the Rest of Online Advertising**  **Robert**
HofContributor

 **FTC Lets Google Off The Hook In Search Competition Case**  **Robert**
HofContributor

 **The FTC Smartly Ends Its Imprudent Google Search Antitrust Investigation**  **Eric Goldman** **Contributor**

 **Here's The Future of Advertising, According To Google**  **Robert** **HofContributor**

It's not clear yet whether the preliminary look will result in anything more. The FTC and the Justice Department don't investigate behemoths like Google on a lark, so there's at least a decent chance they'll find reason to look deeper. But according to several online ad sources, the evidence is mixed, and some—even at least one competitor—say Google is playing fair with its so-called "stack" of ad technologies. Contacted for comment, Google provided only a terse statement: "We have not heard anything from the FTC regarding any new antitrust investigation."

So why the probe now? Google leads in display-ad revenues, but not by much, and with Facebook FB -3.47%, Yahoo YHOO +1.07%, Microsoft MSFT -0.15%, and AOL AOL -1.26% all still significant players, Google is far from dominant. However, it has been relentlessly buying up ad tech players, from DoubleClick in 2007 to mobile ad company AdMob in 2009, ad exchange buying firm Invite Media in 2010, publisher ad placing company AdMeld in 2011, and social ad startup Wildfire Interactive last year. In the past year, it has been rewriting its software to make those services work better together.

That may be the crux of the FTC probe. Even if it's demanded by customers, "integration" can easily cross the line over to "anticompetitive" if it becomes too hard for rival services to work with DoubleClick products, Google's ad exchange, or other Google services. That

integration also could make other ad tech companies feel forced to use Google's ad exchange over those from AppNexus, OpenX, or Yahoo's Right Media.

The probe isn't just a sign of Google's growing power in the other half of online advertising it doesn't yet own. It also reflects the consolidation of display advertising dollars to a few very large publishers including Google, Facebook, and even struggling Yahoo. Not least, it's coming amid a tightening of competition among a consolidating group of sizable ad networks and ad technology companies, whose growing power to reach large audiences across the Web increasingly puts them at odds with Google in its dual role as tech provider and publisher.

What precipitated this latest probe, according to the Wall Street Journal, was not publishers, but at least one ad tech rival. It's not clear which rivals, though perennial Google opponent Microsoft is said not to be involved. It's also not clear how widespread these concerns are, even if the FTC clearly believes they're broad enough to warrant at least a look.

For years now, rivals, advertisers and agencies, and publishers all have feared Google's rising power in advertising, most recently in display ads. One digital agency who asked not to be identified said last year that Google has been good at supporting agencies, but that's a double-edged sword. "They make it very easy to buy media using their own technologies, and if you're not using Google technology, it becomes more difficult," this person said. "We love Google as a media company, but we prefer not to work with them as a technology company," instead using its own technologies.

Likewise, an executive at one rival, AppNexus, said there are simmering complaints from advertisers and publishers that Google's ad systems are not as open to outside software providers as they could be. AppNexus President Michael Rubinstein, a longtime former DoubleClick and Google executive, said it's apparent that Google wants to own the entire chain of display-ad tech products.

However, at least one competitor today told me that he believes Google is playing fair. "The reason Google is gaining in scale is that they're executing really well," says Bill Wise, CEO of rival "ad operating system" Mediaocean. "They could force" partners and customers to use their technologies, "but they actually don't."

Wise added that "there's a fine line between leveraging your position, forcing you to use a product, and making it really convenient." Google, he says, "has made it really convenient."

Wise said his company is looking to provide a more open version of an end-to-end ad system that incorporates many other companies' services, in competition with Google. But

he also said Google is a “big part of any solution I create,” and it provides hooks into its system for Mediaocean and others.

That view echoes similar ones I heard last year. Andrew Casale, VP of strategy for ad tech firm Casale Media, told me that even though Google is both partner and competitor, “to Google’s credit, they’re playing nice” by “supporting the ecosystem. They could close off their system and be a walled garden,” but he says they haven’t.

Still, as Google continues to rewrite its ad tech software to work together better—a development it is expected to continue touting at a June 4 annual meeting with DoubleClick customers—by most accounts it’s making life tougher for competitors. But part of Google’s push stems from an awareness that competition is intensifying. Facebook in February bought the Atlas ad server from Microsoft in an apparent attempt to compete with Google more broadly in display. Facebook also opened its own ad exchange last year. Yahoo has been making noises about shoring up its ad system, too, while software firms such as Adobe and Oracle also buy up online ad firms.

Ultimately, antitrust law is supposed to protect consumers, not competitors. Given the mixed picture, the FTC may have a tough job ahead to make yet another case against Google.

On Fri, May 24, 2013 at 8:57 AM, [REDACTED] wrote:
+ Jonathan & Bonita

In case you haven't seen, here is the WSJ's reporting which includes a good bit more detail. Allegations appear to be centered around DFP & Admeld/AdX

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By AMIR EFRATI

The Federal Trade Commission has begun to examine complaints by rivals of Google Inc. **GOOG -0.75%** that the Internet giant abused its power in the market for selling online-graphical and video ads, according to people briefed on the matter.

The inquiry comes just months after the agency ended its yearslong antitrust probe of Google's Web-search engine and search-advertising business.

The FTC's examination is in its early stages, these people said, and may not result in a formal probe.

Spokespeople for Google and the FTC declined to comment. Bloomberg News earlier reported on the FTC's interest in Google.

The FTC six years ago said it would monitor Google's behavior in the online-advertising market, where the company generates almost all of its revenue, after it acquired a online-ad company DoubleClick. That business became the foundation for Google's graphical and video ad-brokering services, now a multibillion-dollar business.

Some of Google's advertising-technology rivals have complained to antitrust authorities that Google has allegedly combined several of its ad-related services for website publishers so that the publishers would have to use them all rather than just one Google service, according to people familiar with the matter. That process is known as "tying" or "bundling."

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- Google Display Chief Makes Pitch to Publishers

There is no evidence that website publishers themselves have complained to regulators.

In the U.S., Google last year generated \$2.26 billion from sales of graphical and video ads, also called "display" ads, or 15.1% of the \$15 billion market, according to research firm eMarketer Inc. Much of the revenue is generated by Google's YouTube video site, which sells display ads.

Google also has built a substantial business from helping advertisers find ad space on millions of websites. Google plays this matchmaking role through its Google DoubleClick Ad Exchange, a kind of automated marketplace that generates fees for the company.

And Google generates fees from helping websites track their automated advertising sales through an "ad serving" system called DoubleClick for Publishers, which is dominant in the industry. Google has special tools to help advertisers buy ads across millions of sites in an automated fashion.

At least one rival has complained to regulators that Google allegedly is prohibiting website publishers who use DoubleClick for Publishers to use non-Google technology to help the publishers manage how they sell their ad space, said a person familiar with the matter. Instead, the rival has claimed, Google has pushed or financially incentivized publishers to use Google's own AdMeld service to manage how they sell ad space to advertisers. In some cases, Google rivals have said the company is waiving fees for some of its services if website publishers decide to use them rather than services provided by those rivals.

The display-ad business, which Google previously said would generate about \$5 billion in gross revenue in 2012, has helped the company shake the notion that it could only make money from selling small text ads that appear next to results on its Web-search engine. Google in recent years surpassed Facebook Inc., FB - 0.40% Yahoo Inc. YHOO -2.00% and AOL Inc. AOL +0.86% in generating display ad-related revenue, eMarketer has said.

Since acquiring Doubleclick for \$3.1 billion in 2007, Google has spent more than \$1 billion more on acquisitions of various display-ad and mobile-ad firms.

In deciding not to block Google's DoubleClick acquisition, the FTC in December 2007 said in a public statement that it noted concerns that Google could potentially use DoubleClick's market position to boost Google's other advertising products.

"The markets within the online advertising space continue to quickly evolve, and predicting their future course is not a simple task," the agency said, adding that it "will closely watch these markets and, should Google engage in unlawful tying or other anticompetitive conduct, the Commission intends to act quickly."

On Thu, May 23, 2013 at 5:13 PM, [REDACTED] wrote:

Thanks [REDACTED]. Let us know how we can help.

FYI Neal, [REDACTED] reviewed the CAB agenda that's live and is cool with keeping as is for now.

M

On Thu, May 23, 2013 at 1:40 PM, [REDACTED] wrote:

Hi --

You may have started seeing press reports, starting with Bloomberg, that there's an investigation brewing at the FTC into our display practices.

The background: Bloomberg says their anonymous sourcing is "strong," although we haven't heard anything else about this from the FTC or otherwise, and their reporting actually seems pretty thin.

Right now, our broad response is not to comment. Our corp team is telling a few key reporters on background that we have no knowledge. I'll be keeping tabs on the cycle - let me know if you have questions. I'll keep you updated as information comes in.

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